



**U.S. Department of Housing and Urban
Development**
New England Office of District Inspector General
for Audit, 1AGA
Thomas P. O'Neill, Jr. Federal Building
Room 370
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June 14, 2000

Audit Memorandum
No: 00-BO-219-1801

MEMORANDUM FOR: Suzanne Baran, Director, Multifamily Program Center,
Connecticut State Office, 1EHM

FROM: William D. Hartnett, District Inspector General, Office of Audit, 1AGA

SUBJECT: Computer Learning Center
Greater Hartford Realty Management Corporation
Hartford, Connecticut

Per your request, we performed a review of the Computer Learning Center established by the Greater Hartford Realty Management Corporation (GHRM). Our objective was to determine whether the Computer Learning Center was operated in accordance with GHRM's approved proposal and HUD regulations.

We have determined that GHRM has not implemented its Computer Learning Center in accordance with its approved proposal and HUD regulations. Although the cost was expended in accordance with the HUD approved budget, GHRM did not prepare status reports or evaluations of the Center's progress and there are no outside resources other than the funds authorized by HUD from insured and/or assisted housing projects managed by GHRM. The Computer Learning Center still operates on a limited basis, although HUD has no assurances of the Center's success in achieving its objective to provide resident education and social advancement.

Within 60 days, please provide us with a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary.

Should you or your staff have any questions, please contact Stephen King, Assistant District Inspector General for Audit at (617) 565-5259.

Background

The U.S. Department of Housing and Urban Development (HUD) recognizes that computer literacy and access are prerequisites for economic opportunity in the information age. By Housing Notice 95-81, Computerized Community Connections issued September 29, 1995, HUD's Office of Multifamily Housing launched a community based initiative that established computerized learning centers in insured and assisted housing.

The initiative entitled Neighborhood Networks, or Computerized Community Connections, is a totally voluntary program eligible to all insured and assisted multifamily developments, other than nursing homes. Property owners and housing residents are encouraged to form partnerships with members of their community to develop and sustain a center that best suits their own needs. Neighborhood Networks is not a grant program, so local support is vital. To ensure the success of the center, local businesses, government, educational institutions, private foundations, and other community organizations are needed to provide capital funding.

In November 1996, Greater Hartford Realty Management Corporation (GHRM) submitted a proposal for development of a Computer Learning Center, servicing each of its eight insured and/or assisted multifamily properties, reaching a total of 556 apartment units. The Projects are: Clay Hill Apartments 017-35152; Barbour-Kensington Apartments 017-44158; Lower Garden Street 017-44154; Upper Garden Street 017-44107; Main/Nelson Street 017-44155; Vine Associates 017-35071; Infill I CT26-E000015; and Earle Street CT26-E000035.

The proposal was approved and signed by HUD on December 6, 1996 with a proposed one year budget of \$2 million. The primary sources of income during the start up phase was borrowings against the properties' reserves and specialized rent increases. In April 1997, the GHRM's Computer Learning Center was officially opened. At May 2000, the Center operates on a limited basis due to a lack of funds. Computers have been installed and GHRM will offer the Center to local outside vendors who wish to provide services to the community pro bono.

JSB Funding Company is the operating entity of the Computer Learning Center. JSB Funding Company started two non-profit entities to help in the Center's operation; NewPath, Inc., responsible for the social services activities of the Center and Family Technologies, Inc., responsible for the computer network systems. NewPath, Inc. and Family Technologies, Inc. are identity of interest companies to JSB Funding Company. GHRM's owner retains interest in JSB Funding Company, making JSB Funding Company an identity of interest company.

In July 1999, the Connecticut State Office, Multifamily Program Center completed a management review of Clay Hill Apartments; one of three HUD insured properties contributing money to the establishment of the Computer Learning Center. The management review concluded that GHRM could not provide records in evidence to show a clear distinct description of equipment/services delivered to the Computer Learning Center for the amount of invoices submitted for payment, and that the records of all expenditures were incomplete.

Scope and Methodology

To achieve our objective, we identified the Computer Learning Center's revenue and expenses by reviewing GHRM Projects' annual audited financial statements, and financial records maintained by GHRM and JSB Funding Company. We analyzed supporting invoices, comparing the eligibility of such cost with GHRM's proposed budget and plan. We held discussions with GHRM and JSB Funding Company staff regarding the process of accounting for funds; revenue and expenses; tenant services; and outreach. We conducted a site visit to the Computer Learning Center, as well as held discussions with HUD Program staff and Contract Administrators, Connecticut Housing Finance Authority and Connecticut Department of Economic and Community Development, as necessary.

Work was performed during April and May 2000 and covered the period January 1997 to December 1999. Where appropriate, the review was extended to include other periods. We conducted the review in accordance with generally accepted government auditing standards.

Audit Results

Our review disclosed that cost expended on the Computer Learning Center was in accordance with the HUD approved budget. However, we determined that Greater Hartford Realty Management Corporation (GHRM) did not comply with their approved proposal or HUD regulations by not preparing status reports or evaluations of the Center's progress and not securing outside resources other than the funds authorized by HUD from insured and/or assisted housing projects managed by GHRM. The Computer Learning Center still operates on a limited basis, although, HUD has no assurances of the Center's success in achieving its objective to provide resident education and social advancement.

No Status Reports or Evaluations Maintained

Housing Notice 95-81 provides that a required component of a Computer Learning Center proposal is, "how will participation in the program's operation, such as education and job training programs be tracked and evaluated; how will you assess/evaluate the success of the program; is there agreement to cooperate with any HUD reporting requirements".

In the Computer Learning Center's November 1996 proposal, GHRM indicates that "proper evaluation of the center and system operation is crucial to the measurement of our success in meeting our objectives". Three evaluation types were indicated, including (1) internal review; (2) education evaluation; and (3) HUD reporting.

The owner of GHRM advised that no status or progress reports were prepared by themselves or the operating entity JSB Funding Company. Located at the Center are log books documenting activity and tenant services for 1997, 1998 and 1999. Again, no summation or evaluation of the data was prepared. We were advised by GHRM's owner that to see the progress, he just needs to visit the Center.

The proposal states that GHRM will conform to all HUD reporting requirements to be used by HUD in evaluation of the Computer Learning Center. HUD needs to establish reporting requirements, both financial and operational, and hold GHRM to compliance in efforts to evaluate the Center's overall performance and benefit to the community.

Sources of Income

Total revenue received by GHRM for use at the Computer Learning Center was \$422,106. This revenue includes the amount of funds released by HUD from three GHRM Projects' reserve for replacement accounts (\$193,312), and a special one year rent increase granted to Clay Hill Apartments (\$203,794). The only other source of revenue came from a \$25,000 grant from the Aetna Foundation.

In the Computer Learning Center's proposed budget, grants from Family Technologies, Inc. and WKND Foundation, totaling \$116,000, were shown as "Other Sources of Income". We were advised that those grants were not intended to reflect financial grants, but what was called in-kind grants. Meaning, Family Technologies, Inc. and WKND Foundation would provide services and volunteers to the Center as needed, free of charge. The Center would not be charged cost of the services and volunteers, which were estimated to be \$116,000 for the purposes of the budget proposal.

In the proposed budget, there were no additional listings of "Other Sources of Income" to be obtained during the Center's start up and year one. Although, governing HUD regulations, Chapter 9 of HUD Handbook 4381.5, The Management Agent Handbook, states that HUD's intention is to be the last, most flexible piece of the funding and should be thought of as venture capital, not a guaranteed long term source of funds. The preferred method of funding is listed as obtaining grants/resources from outside sources. The two least preferred methods are borrowing from the reserve for replacement account and specialized rent increases.

GHRM's proposal states that subsequent revenue necessary will be raised by GHRM and JSB Funding Company. We were advised that outreach has failed because there was no willingness of the community to contribute funds until the Center was under full successful operation for one year; which was never retained.

Successful outreach is an important part in continuing the Computer Learning Center and sources outside the Project funds need to be retained. HUD needs to ensure that more aggressive outreach is planned, executed and continued throughout the Center's operation.

Recommendations:

We recommend that your office:

- 1A. Establish reporting requirements of GHRM, both financial and operational, in efforts to evaluate the Center's overall performance and benefit to the community.
- 1B. Require GHRM to comply with the reporting requirements, as well as evaluation methods outlined in their original proposal.
- 1C. Require GHRM to develop a more aggressive outreach plan, in accordance with HUD regulations, which will both reestablish and sustain the Center's operation.

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